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RUEATRS/DEPT OF TREASURY WASHDC PRIORITY

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SENSITIVE  
SIPDIS

DEPT FOR EUR/SCE, EUR/ERA, EEB/ESC AND TREASURY FOR OASIA  
LARRY NORTON

E.O. 12958: N/A

TAGS: [ECON](#) [ENRG](#) [HR](#)

SUBJECT: GAS SUPPLIES FROM ITALY AND GERMANY TO HELP  
CROATIA WARD OFF CRISIS

REF: A. A) ZAGREB 006

[1](#)B. B) ZAGREB 009

[1](#)1. Two agreements over the weekend may ease pressure on Croatia's gas situation (reftels). First, Italian ENI agreed to split gas production from its northern Adriatic fields with Croatia, beginning delivery over the weekend of 30,000 cubic meters per hour. Croatia also began receiving gas shipments over the weekend amounting to 40,000 cubic meters per hour from E.ON Ruhrgas via Austria and Hungary. Combined, these sources amount to roughly 15 percent of Croatia's daily winter demand, and should be sufficient to stabilize supply for the moment, according to an INA executive. Gas use restrictions on industry remain in place despite the new supplies and our contacts in industry continue to express concern that a prolonged crisis will lead to shutdowns and layoffs. Croatia's 600,000 households that rely on gas still appear to be largely unaffected, and criticism of the government's handling of the shortages has been muted.

[1](#)2. COMMENT: If the reported deal between Ukraine and Russia on Jan. 12 results in an immediate resumption of gas exports, Croatia can expect to have the gas turned on again in as little as 66 hours, resulting in only a modest economic impact from the crisis. However, with GDP growth forecasts continuing to decline for 2009 (now at 1 percent or below), and foreign investment continuing to ebb, the economy has little room to absorb such negative economic shocks. END COMMENT.  
BRADTKE